

5. Revisions to EHRA Salary Increase Pre-Approval Requirements for UNC General Administration and the Constituent Institutions Junius Gonzalez and Matthew Brody

Situation: The General Assembly has not included the mandatory ten-percent (10%) salary increase pre-approval requirement that has been in effect for the last several fiscal years in the 2015 Appropriations Bill. Therefore, absent further Board action, General Administration would revert to its long-established policy for pre-approval of proposed salary increases for University employees exempt from the State Human Resources Act (EHRA). The Board's policy (600.3.4) generally provides for pre-approval of proposed salary increases increase that exceed 15% and \$10,000 of the prior June 30th salary, excluding certain actions such as externally posted competitive events and temporary salary adjustments. The President is seeking consideration by the Personnel and Tenure (P&T) Committee of a temporary resolution that adopts a more efficient review process by either the President or the P&T Committee, including a 20% and \$10,000 pre-approval threshold for most permanent salary increases and a 30% and \$15,000 threshold for other selected actions, such as time sensitive retention increases and most temporary salary increases. This resolution also adopts a new approach regarding pre-approvals for both internal and external hires. This newly proposed approach relies on the extent to which a proposed salary offer penetrates the authorized salary range in percentile terms, as opposed to any base salary increase. This will place internal and external hires on equal footing and provide enhanced oversight to all hiring-related salary offers as opposed to focusing only on internal hires. The newly proposed pre-approval criteria for internal and external hires also focuses on the scope of the competitive process by establishing more rigorous pre-approval thresholds for searches that involve less than two interviewed candidates.

Background: Two University policies serve as the basis for the delegation of authority by the Board of Governors to both the President and the constituent institutions with respect to salary setting for University employees: Policy 200.6 (Delegation of Authority to the President); and 600.3.4 (Granting of Management Flexibility to Appoint and Fix Compensation). Policy 200.6 provides a framework for delegation of authorities to the President of the University to make decisions regarding Personnel, Governance, Real Property and Institutional Trust Funds, consistent with the President's role as the chief administrative and executive officer of the University. Policy 600.3.4 outlines parameters and expectations for campus Boards of Trustees who have been authorized to operate with delegated "management flexibility" to appoint and fix compensation of EHRA employees, and to delegate such authorities to the Chancellors, when deemed appropriate.

Assessment: Pending decision-making by the Committee and the Board of Governors on this matter, General Administration has continued the ten-percent (10%) salary pre-approval process for EHRA employees, even though it has been officially sunset by the Legislature. The formal end of the 10% pre-approval process provides the University with an important opportunity to consider ways to maximize efficiencies in the review and approval of salary increase actions, both at the constituent institutions and UNC General Administration. It also provides an opportunity to assure that EHRA salary pre-approval requirements are maintained at a level that is as least as flexible as those for employees Subject to the State Human Resources Act (SHRA), and in some

cases more so. The Office of State Human Resources (OSHR) has now returned to a salary increase pre-approval threshold of greater than twenty-percent (20%) for University SHRA permanent employees following cessation of the legislatively mandated ten-percent (10%) pre-approval process. Because additional time is needed to study and modify existing University policies with respect to salary increase pre-approvals for EHRA employees, a resolution is presented for consideration by the Board of Governors to establish new delegation limits and authorities with respect to salary offers and salary increases, pending recommendations to the Board on permanent policy changes in the near future. A summary of these proposed delegations is provided in the attached table and is further detailed in the attached Board Resolution.

Action: This item is for a vote. A resolution to this effect is attached.



Resolution to Approve Revisions to EHRA Salary Increase Pre-Approval Requirements for UNC General Administration and the Constituent Institutions

WHEREAS, the Appropriations Acts of 2013 and 2014 required that the Board of Governors (BOG) or other appropriate authorized body approve in advance salary adjustments of ten-percent (10%) or greater for permanent faculty and staff of The University of North Carolina and its constituent institutions exempt from the State Human Resources Act (EHRA);

WHEREAS, the existing legislatively mandated ten-percent (10%) salary increase pre-approval requirement for EHRA faculty and staff has not be continued by the General Assembly in the 2015 Appropriations Act and has now sunset;

WHEREAS, the General Administration staff is undertaking a review of applicable University policies related to salary increase pre-approvals and the President recommends adoption of certain new requirements to replace the ten-percent (10%) salary increase pre-approval process, until more permanent recommended policy changes are presented to the Board of Governors;

WHEREAS, pursuant to N.C.G.S. § 116-11(13), the BOG may delegate any part of its authority over the affairs of The University of North Carolina to the President, or through the President, to the chancellors of the constituent institutions, or to the boards of trustees, in any case where such delegation appears necessary or prudent to enable The University of North Carolina to function in a proper and expeditious manner, provided that any delegation may be rescinded at any time, in whole or in part;

NOW THEREFORE, the Board of Governors, upon due and careful consideration, hereby delegates the following responsibilities and limited authorities to pre-approve salary offers or salary increases, within authorized salary ranges, with such authorities being effective as of the date of approval by the Board of Governors.

Internal or External Hire Through a Competitive Event With Three or More Interviewed¹ Candidates

- The Board of Trustees (BOT), or Chancellor² as delegated by the BOT, shall pre-approve any salary offer up to the 75th percentile³ of the salary range.
- The President or designee⁴ shall pre-approve any salary offer that exceeds this limit.

¹ Interviewed candidate shall mean qualified individuals who advanced to the stage of a telephone, video, or in-person interview.

² The Chancellor may further authorize designees to conduct salary pre-approvals, which at his/her option, may include any or all of the following: Executive Vice Chancellor/Provost, Chief Financial Officer/Chief Business Officer, Chief Human Resources Officer, Director of Academic Human Resources (or equivalent), and the Directors of major functions within the campus human resources department. Further delegations are not permitted unless approved by the President in writing.

³ If percentile market data is unavailable, then the equivalent percentage amount (50-percent or 75-percent) of the authorized salary range may be utilized. In the circumstance where there is no established salary range, then the BOT/Chancellor pre-approval for an internal hire shall be up to twenty-percent (20%) and ten-thousand dollars (\$10,000) of the June 30th base salary, when combined with all other base salary increases for the fiscal year, and the for the President any internal salary offer exceeding this limit.

⁴ Authorized designees of the President for salary approvals shall be the Senior Vice President for Academic Affairs, the Senior Vice President and Chief Operating Officer, the Vice President for Human Resources, and the Executive Director of Classification and Compensation.

Internal or External Hire Through a Competitive Event With Two or Fewer Interviewed¹ Candidates or a Waiver of Recruitment

- The Board of Trustees (BOT) of a Special Responsibility Constituent Institution with management flexibility, or Chancellor² as delegated by the BOT, shall pre-approve any salary offer up to the 50th percentile³ of the salary range.
- The President⁴ or designee shall pre-approve a salary offer that exceeds this limit or an offer in any amount under this circumstance for a Constituent Institution that lacks management flexibility.

Retention Increases Due to Active Recruitment or Outside Offer

- The Board of Trustees (BOT), or Chancellor¹ as delegated by the BOT, shall pre-approve any salary increase up to twenty percent (20%) and ten thousand dollars (\$10,000) of the June 30th base salary, when combined with all other base salary increases for the fiscal year.
- The President or designee⁴ shall pre-approve any salary increase up to thirty percent (30%) and fifteen thousand dollars (\$15,000) of the June 30th base salary, when combined with all other base salary increases for the fiscal year.
- The Personnel and Tenure (P&T) Committee of the BOG shall pre-approve any retention increase that exceeds these limits; in the circumstance of a time critical retention offer, the pre-approval of the Chair and Vice Chair of the P&T Committee may substitute for that of the full Committee.

Faculty Promotional Increases for Fixed Term, Tenure Track or Tenure Ranks

- For a Special Responsibility Constituent Institution with management flexibility, the Board of Trustees (BOT) or Chancellor¹ as delegated by the BOT, shall pre-approve any increase for a promotion of a faculty member to a higher rank up to thirty percent (30%) and fifteen thousand dollars (\$15,000) of the June 30th base salary, when combined with all other base salary increases for the fiscal year.
- For a Constituent Institution without management flexibility, the Board of Trustees (BOT) or Chancellor¹ as delegated by the BOT, shall pre-approve any increase for a promotion of a faculty member to a higher rank up to twenty percent (20%) and ten thousand dollars (\$10,000) of the June 30th base salary, when combined with all other base salary increases for the fiscal year.
- The President or designee⁴ shall pre-approve all faculty promotional Increases that result in a higher faculty rank that exceeds these limits.

Salary Increase Required by Prevailing Wage Determination

- The Board of Trustees (BOT), or Chancellor¹ as delegated by the BOT, shall pre-approve any salary increase to comply with a United States Department of Labor prevailing wage determination without further pre-approval.

All Other Permanent Base Salary Increases

- The Board of Trustees (BOT), or Chancellor¹ as delegated by the BOT, shall pre-approve any salary increase up to twenty percent (20%) and ten thousand dollars (\$10,000) of the June 30th base salary, when combined with all other base salary increases for the fiscal year.
- The P&T Committee of the BOG shall pre-approve any permanent base salary increase that exceeds this limit.

Non-Permanent Faculty Salary Supplements for Secondary Administrative Appointments or Honorary/Distinguished Titles

- For a Special Responsibility Constituent Institution with management flexibility, the Board of Trustees (BOT) or Chancellor¹ as delegated by the BOT, shall pre-approve any non-permanent salary supplement for a faculty member serving in an administrative appointment secondary to his/her primary faculty appointment, or assigned an additional honorary/distinguished faculty title, up to thirty percent (30%) and fifteen thousand dollars (\$15,000) of the June 30th base salary, when combined with all active temporary salary increases, regardless of duration. *Examples of such administrative appointment titles include Department Chair, Department Vice Chair, Faculty Program Director, Faculty Advisor, Assistant or Associate Dean, Distinguished Professor.*
- For a Constituent Institution without management flexibility, the Board of Trustees (BOT) or Chancellor¹ as delegated by the BOT, shall pre-approve such salary supplements up to twenty percent (20%) and ten thousand dollars (\$10,000) of the June 30th base salary, when combined with all active temporary salary increases, regardless of duration.
- The President or designee⁴ shall pre-approve all non-permanent faculty salary supplements for secondary administrative appointments that exceed these limits, regardless of duration.

All Other Temporary Salary Increases

- The Chancellor or designee¹ shall pre-approve any temporary salary increase up to twenty percent (20%) and ten thousand dollars (\$10,000) of the June 30th base salary, when combined with all active temporary salary increases.
- The President or designee⁴ shall pre-approve any temporary salary increase up to thirty percent (30%) and fifteen thousand dollars (\$15,000) of the June 30th base salary, when combined with all active temporary salary increases.
- The Board of Governors shall pre-approve any temporary salary increase that exceeds these limits as well as any individual increase that may exceed twenty-four (24) months in duration, either initially or due to an unexpected development, regardless of dollar or percentage amount.

The authorities described in this Resolution may be modified or removed at the discretion of the Board of Governors. Any authority delegated to the boards of trustees or the chancellors is delegated through the President, and may be reduced in limit or withdrawn at any time by the President.

Any delegated salary pre-approval actions exercised by a Chancellor, or his/her designees, must be reported to the applicable Board of Trustees on no less than a quarterly basis. This report must include the employee's name, title, the amount of the salary offer or increase, the reason, and the percentage and amount of the individual increase from the current salary, and the cumulative percentage of increases from the June 30th base salary. For internal and external hiring actions, the latter two items shall be replaced by the percentile or percentage of the salary offer relative to the relevant salary range, when available.

Any salary pre-approval requirements for Tier I Senior Academic and Administrative Officers (SAAOs) or for retention events supported through the Faculty Recruitment and Retention Fund shall follow existing University policies and procedures, and shall not be modified by this Resolution.

BE IT SO RESOLVED.

_____, 2015

APPROVED BY THE BOARD OF GOVERNORS OF
THE UNIVERSITY OF NORTH CAROLINA

By: _____
Ann Lemmon
Secretary of the University

(Seal)

UNC General Administration

Proposed FY 2015-2016 Salary Pre-Approval Guidelines After Sunset of Legislatively Mandated 10% Pre-Approval Requirement

<u>Type of Salary Offer or Increase</u>	** Guidelines Per Standing GA/BOG Policy or Resolution Following 10% Rule Sunset **	** Newly Proposed Guidelines **				
		<u>Up to 50th Percentile of Salary Range</u>	<u>Up to 75th Percentile of Salary Range</u>	<u>Cumulative Up to 20% & \$10,000</u>	<u>Cumulative Up to 30% & \$15,000</u>	<u>All Other</u>
<u>SALARY OFFERS FOR INTERNAL OR EXTERNAL HIRES</u>						
Internal or External Hire Through a Competitive Event with 3 or Greater Candidates Interviewed	BOT/Chancellor approves up to 15% and \$10,000 for internal only posting; BOG for all exceeding this amount; no GA/BOG pre-approval for externally posted event	N/A	BOT/Chancellor	N/A	N/A	President
Internal or External Hire Through a Competitive Event with 2 or Less Candidates Interviewed or a Waiver of Recruitment						
- Constituents *with* Special Responsibility Management Flexibility	BOT/Chancellor approves up to 15% and \$10,000 for internal only posting or waivers; BOG for all exceeding this amount; no GA/BOG pre-approval for externally posted event	BOT/Chancellor	N/A	N/A	N/A	President
- Constituents *without* Special Responsibility Management Flexibility	BOT/Chancellor approves up to 15% and \$10,000 for internal only posting or waivers; BOG for all exceeding this amount; no GA/BOG pre-approval for externally posted event	N/A	N/A	N/A	N/A	President

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		<u>Up to 50th Percentile of Salary Range</u>	<u>Up to 75th Percentile of Salary Range</u>	<u>Cumulative Up to 20% & \$10,000</u>	<u>Cumulative Up to 30% & \$15,000</u>	<u>All Other</u>
<u>OTHER SALARY INCREASES FOR CURRENT EMPLOYEES</u>						
Retention Increase Due to Active Recruitment or Outside Offer	BOT/Chancellor approves up to 15% and \$10,000; President approves up to 30%; BOG for all exceeding this amount	N/A	N/A	BOT/ Chancellor	President	BOG
Faculty Promotional Increases for Higher Fixed Term. Tenure Track, or Tenure Faculty Ranks						
- Constituents *with* Special Responsibility Management Flexibility	BOT/Chancellor has authority for all; no GA/BOG pre-approval	N/A	N/A	N/A	BOT/ Chancellor	President
- Constituents *without* Special Responsibility Management Flexibility	BOT/Chancellor has authority for all; no GA/BOG pre-approval	N/A	N/A	BOT/ Chancellor	N/A	President
Salary Increase to Comply with US DOL Prevailing Wage Determination	BOT/Chancellor approves up to 15% and \$10,000; BOG for all exceeding this amount	N/A	N/A	N/A	N/A	BOT/ Chancellor
All Other Permanent Base Salary Increases	BOT/Chancellor approves up to 15% and \$10,000; BOG for all exceeding this amount	N/A	N/A	BOT/ Chancellor	N/A	BOG

UNC General Administration

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<u>Type of Salary Offer or Increase</u>	** Guidelines Per Standing GA/BOG Policy or Resolution Following 10% Rule Sunset **	** Newly Proposed Guidelines **				
		<u>Up to 50th Percentile of Salary Range</u>	<u>Up to 75th Percentile of Salary Range</u>	<u>Cumulative Up to 20% & \$10,000</u>	<u>Cumulative Up to 30% & \$15,000</u>	<u>All Other</u>
Non-Permanent Faculty Salary Supplements for Secondary Administrative Appointments or Honorary/Distinguished Titles Regardless of Duration						
- Constituents *with* Special Responsibility Management Flexibility	BOT/Chancellor has authority for all; no GA/BOG pre-approval	N/A	N/A	N/A	BOT/Chancellor	President
- Constituents *without* Special Responsibility Management Flexibility	BOT/Chancellor has authority for all; no GA/BOG pre-approval	N/A	N/A	BOT/Chancellor	N/A	President
All Other Temporary Salary Increases	BOT/Chancellor has authority for all; no GA/BOG pre-approval	N/A	N/A	BOT/Chancellor; Up to 24 Months Duration	President; Up to 24 Months Duration	BOG